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# REPORT ON TRENDS IN INTERREGIONAL TRADE BETWEEN AFRICA AND OTHER DEVELOPING COUNTRIES

INTRODUCTION

1. The eighth and ninth sessions of the Conference of African Ministers of Trade requested the Secretariat to make a progress report on Africa's economic and trade relations with other developing countries. The idea of enhancing inter-regional co-operation and trade among the developing countries is fairly well-entranched historically. It is a theme of growing interest among the countries themselves. The international community in general and the Third World in particular, have already recognized the vital role that ECDC can play in accelerating the economic development of the latter as well as in contributing towards restructuring international economic relations. This interest emanated in part from the desire to find alternative ways of solving certain common economic problems. In particular those which could be resolved through strengthened economic co-operation and collective self-reliance with other developing countries and regions. Needless to say, the ongoing efforts in the area of economic co-operation among the developing countries (ECDC) are to be seen as an integral part of this process.

2. It is with this kind of brief background that this explains why ECDC constitutes a crucial element in many of the adopted subregional, regional or global development strategies. The elements were reinforced with adoption of global programmes which stressed with a view strengthening and enlarging ECDC. In other words, the development and transformation of the economies through the mobilization of mutual resources and markets as pre-requisites to building structures for genuine economic interdependence within the context of South-South co-operation. The Mexico City Programme (1976); the Arushas Plan of Action (1979); and the Carcas Programme of Action (1981) are a clear indication of watershed platforms that underline the importance of co-operation among developing countries as a cornerstone of collective self-reliance. For instance, Mexico City Programme in particular elaborates major guidelines in this field which were further developed in the Arusha Plan and the Caracas Programme of Action.

3. In the meantime, the ECA Conference of Ministers has adopted a number of resolutions stressing the importance of promoting ECDC. They include Resolutions 302(XIII) of 28 February 1977 and 355(XIV) of 27 March 1979 in which empasis is specifically laid on short, medium and long-term aspects of ECDC. Similarly, the eighth session of the African Ministers of Trade during its meeting in Brazzaville in the Congo in October 1985, again drew attention to this theme and took as point of departure, Africa's participation in the Global System of Trade Preferences among Developing Countries (GSTP). It is, partly in response to the above concerns that the present report has been prepared. The aim therefore is to examine the current level and nature of trade flows between Africa and other developing regions. An attempt has been made in this report, besides reviewing the commodity structure of exports and imports as well as determining major possibilities for their expansion, to identify existing obstacles to trade promotion in order to arrive at proposals and recommendations on action which can be taken to facilitate interregional trade flows. It is for this reason also why this particular report draws attention on some strategies and mechanisms of trade promotion which we consider as likely to contribute towards expanding trade and economic relations between Africa and countries of Latin America, the Middle East and those in Asia and the Pacific subregions.

4. Important to note about this report is that it draws heavily on some of the findings in a study prepared by ECA Secretariat entitled "Prospects and Problems of Promoting and Expanding Inter-Regional Trade between Africa and Other Developing Regions" (E/ECA/TRADE/88/21). This is notwithstanding the fact that the analysis mainly embraces trade flows at regional levels. However, the aforementioned study examines a number of individual cases in overcoming the constraints and difficulties associated with non-availability of data. However, the conclusions and recommendations contained in this report provide a useful basis to member countries in formulating their possible strategies likely to bring about the expansion and promotion of trade with other Third World countries.

## II. MAJOR DEVELOPMENT AND CHALLENGES FOR SOUTH-SOUTH COOPERATION

5. There is enough documented evidence of considerable progress made in the area of economic integration and co-operation among developing countries over the last two decades. 1/ It is nevertheless important to point out that these relations are still the weakest link in practical terms of international economic relations. Hence the emphasis on the need to strengthen these links within a broader context of self-sustained economic development. A task which in itself is perhaps the biggest challenge that developing countries continue to face. The perspectives for ECDC in the years to come have to be seen against the necessity for structural changes required to spread the industrialisation and transformation of economies of the Third World.

6. There are a number of prominent features in the development expansion, economic and financial co-operation among the developing countreis in the area of trade over the last years. They include among others:

(a) a noticeable decrease in their mutual trade flows over the 1980s which is in marked contrast with the fast absolute and relative growth recorded in the 1970s. For instance in the period from 1981 to 1986, their trade decreased gradually from US$152.3 billion to US$122.2 billion respectively. It was also accompanied by a further decline in the share of this segment in total world trade. 2/ The main contributory factors was the decline in capital surplus of the oil exporting countries. An additional factor was also done to the increase in the foreign exchange difficulties in most of the Third World;

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1/ See UNCTAD "South-South Co-operation. Some Issues in the Field of Trade and Finance." RIS Occasional Paper No. 7, 1986, New Delhi, pp.3-4.

2/ UNCTAD. Handbook of International Trade and Development Statistics. Supplement 1986, New York, 1987

(b) the serious setback experienced by economic integration groupings of developing countries in terms of dramatic fall in trade flows within many of these groupings that occurred during the 1980s. In several cases, member countries reintroduced or even increased tariff rates, quantitative restricitions and exchange control measures, acts which combined to reduce the volume and nature of their mutual trade;

(c) the contraction financial flows to developing countries coupled with serious problems in the operation of certain clearing and payment arrangements, led in a number of cases to the suspension of operations of trade facilitating mechanisms which had been initated with a view to promoting interregional trade;

(d) the continuation of the traditional structures of trade that had not been adopted or not responsive to the particular inter-regional exchanges characterized where food products, agricultural raw materials and mineral ores in their mutual trade still held a predominant role did not help matters. On the contrary, only a handful of the "newly industrialized countries" have been able to make a major breakthrough in export expansion of the manufactures, but the significance of developing countries as market outlets for manufactured products from other developing countries has been on the decrease. Hence, developing countries mostly act not as interdependent suppliers of manufactured goods but rather as competitive exporters to the developed markets.

7. However, the situation given above need not imply the lessening of efforts aimed at enhancing the ECDC process. For one thing, the initiative represented by GSTP indicates a commitment by some developing countries to give practical effect to realizing the goal of expanded interregional trade relations. These negotiations have led to implementing the scheme. This was notwithstanding the fact that a number of issues still require particular caution and have yet to be fully resolved. For instance, as regards the coverage of products, the spread of benefits among the participants or the link between trade and payments because of trade imbalances which are likely to result from the GSTP trade liberalization measures.

8. In this regard it is noteworthy that as the experience of various economic integration and co-operation groupings of developing countries shows, while reduction in tariff and non-tariff protection may lead to some increase in mutual trade, it has been found in many instances that these measures alone can not overcome all the obstacles to expanding trade among developing countries. Hence the call for complementary measures. In particular, cooperation in production and joint ventures, as well as monetary and financial co-operation and improvements in economic infrastructure have been stressed as crucial elements to sustain expansion of such trade. Naturally therefore, this analysis reiterates the need of strengthening and reviving clearing and payment arrangements among the Third World countries and also calls for real transformation of their economies if they are to attain a greater degree of complementarity.

## III. CURRENT TRENDS IN TRADE AND ECONOMIC RELATIONS BETWEEN AFRICA AND LATIN AMERICA, MIDDLE EAST AND ASIA

9. On the basis of the data compiled in the studies mentioned above which the Secretariat undertook not too long ago, it was observed that trade links between Africa and other developing regions started to expand significantly from the beginning of the 1970s and continued to grow all through the decade. This trend coincided with the general boom in the world trade. On the contrary, the same could not be said for the early period of the 1980s because the trend was reversed and gave way to a certain decline. The current situation of Africa's trade exchanges with Latin America, Asia and Middle East is thus as follows:

(a) The Overall Volume of Africa's trade with other developing regions has been on the decline since 1980 that was when the peak was attained in terms of regional and export/import structure breakdown, a more diversified picture emerged since the most pronounced contraction occurred in Afro-Latin American trade flows. On the other hand, trade with Asian countries stabilized around the 1980 level. Moreover, the decrease was more significant on the export side, where the downward movement compared unfavourably with the continued growth of imports from the Middle East and Asia, albeit at a slower rate than during the preceding years;

(b) Commodity composition of both African exports and imports did not change much in the course of the 1980s. Exports of African countries continued to dominate by crude oil which even in Afro-Asian trade is the largest single product category although agricultural products also play an important role in trade with Asian countries. It has to be stated that no substantial progress was recorded concerning African manufactures exports. However, the region's import spectrum presents a strinkingly different scenario, characterized by a much more diversified structure. This is the case for Asian exports to Africa where the share of manufactures was as high as 83 per cent in 1986. 3/

(c) Imbalanced nature of Africa's trade with other developing countries is yet another negative aspect that only accentuated during the period 1980-1987. Africa's overall deficit in trading with other developing regions reached over US$4.5 billion in 1986 resulting mainly from the inability of African countries to counter-balance fuel imports from Middle East and the purchase of manufactured products from Asian countries with any goods other than crude oil exports. Only in the case of Latin America trade was Africa's trade balanced largely due to considerable shipments of petroleum. However, a country-by-country analysis reveals that this is only true for a few oil-exporting African countries;

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3/ United Nations, Monthly Bulletin of Statistics, New York, 1988, Vol. XLII No. 5, May 1988.

(d) Insignificant relative importance of trade flows between Africa and other developing countries in their respective overall trade volumes can be illustrated by the following figures. For instance, exports to Latin America in overall African exports accounted for only 3.0 per cent of the regions total exports in 1986. Similarly, the share of Latin American partners in meeting import requirements of the African region stood only at 2.5 per cent in the same year. What this demonstrates is the fact that trade between these regions continues to be geared towards traditional markets, rather than among themselves inspite of the letter and spirit of the ECDC platform to which this paper referred to a little earlier.

## IV. MAJOR CONSTRAINTS IN PROMOTING INTERREGIONAL TRADE BETWEEN AFRICA AND OTHER DEVELOPING REGIONS

10. The major problem identified in the area of Africa's trade with other developing regions is that of the lack of exportable surplus apart from fuel commodities. Hence, there is a pressing need for African countries to develop their production, and subsequently, export potential for semi-manufactures and manufactures. To attain this goal the region has to set in place appropriate development and diversification strategies. Many of which have to a large extent already been outlined in various African forums. These include the Lagos Plan of Action (LPA), Africa's Priority Programme for Economic Recovery (APPER) and also as part of Africa's Alternative Framework for Structural Adjustment Programmes (AAF-SAP).

11. Needless to say, the problem of expanding African exports can only begin to be solved through creating or strengthening industries that are capable of generating sufficient exportable surpluses. There is a real danger that without such corrective or remedial measures, it will be futile to expect any substantial improvement in the existing pattern of African external trade. List differently, resolutions no matter how eloquently, and well drafted will not on their own, without practical action being taken, lead to expanding interegional trade.

12. Beside problems related to inavailability of sufficient quantity of exportable goods, there are a number of other equally important constraints in the sphere of distribution which must also be briefly highlighted:

### (i) Tariff and non-tariff barriers

Tariff and non-tariff restrictions and the way they applied against products exported by African countries and those from other developing regions, constitute impediments to the smooth expansion of interregional trade. On the whole, the way the developing countries formulate and apply trade policies show a much higher level of protectionism than is the case in their trade with the developed countries. Such situation is further aggravated by higher tariff rates in developing countries for products traditionally exported by their partners from other developing regions as compared to lower tariff protection enjoyed by exports of developed economies. This objectively leads to a bias in favour of trade with the developed countries.

(ii) Financial constraints

Other problem areas emanate in the area of monetary and financial relations, particularly the lack of supportive institutional framework in this field. The expternal debt situation faced by most developing countries has compelled many of them to restrict access to foreign exchange allocation to local importers, thereby curtailing trade flows between Africa and other developing regions. The same is true by the countries of the other regions. Hence the absence of a system of international settlement for commercial transactions on an interregional basis specifically geared to support ECDC and when clearing arrangements are almost exclusively confined to subregional trade, is an impediment to trade exchanges among the developing regions. The same is true about the lack of export credit and export insurance schemes. Where these sectors exist in the other developing regions of Asia and Latin America, rarely are African export beneficiaries.

(iii) Institutional deficiencies

If there is one prominent obstacle in this area, that of the lack of efficient and adequate transport and communications networks, tailored to serving the needs of interregional trade between Africa and other developing countries is one. The situation is further exacerbated by the underdeveloped state of internal transportation systems, particularly in the African region. Poor port facilities and occasional surcharges which result in high handling costs and up to diminishing the competitiveness of African exports in non-traditional markets of other Third World countries.

## V. MAJOR PROSPECTS FOR EXPANSION OF TRADE BETWEEN AFRICAN AND DEVELOPING COUNTRIES OF LATIN AMERICA, MIDDLE EAST AND ASIA

13. The current situation where the African continent is not capable of producing insufficient quantities not only to export, but also to satisfy its domestic demand, calls foremost for restructuring and transformation of the production base to be undertaken urgently in order to improve the overall economic performance. Similarly, to permit external trade to develop in a more balanced manner. Available data suggest that a large number of African countries have embarked on this road, having adopted policy reform measures as advocated in APPER and UN-PAAERD.

14. Even if the structural adjustment and transformation are yet to bear fruit, in future, yet there are still prospects for trade expansion with other developing regions in the short-term based on existing trade flows. Thus, having been said, it must also be pointed out that the many impediments show that the situation is only very promising in respect of traditional African export products: cocoa, coffee and other agricultural products as well as various mineral products. This is mainly because Latin America and also the Asian countries are themselves important producers and exporters of these items. Over and above both regions are relatively advanced in both the development and acquisition of modern technology.

The best prospects exist in such area as manufactures, crude fertilizers, rubber, aluminium, essential oils, certain fresh fruits and vegetables, timber and ready made textile articles as possible trade items with Latin America. 4/ In respect of Asian markets on the otherhand, it is also possible to say that the most promising and yet greatly unexploited area for the expansion of African exports is offered by manufactures of certain lines. For instance on a joint venture in producing and exporting on a buy-back basis textiles, iron and steel and manufacturing of machine tools.

15. Regarding trade with the Middle East countries, comparative studies carried out on supply and demand situation in both regions tend to suggest that exports of agricultural and agro-based industrial products have the biggest potential for exports from the African region. According to one of the studies carried out by UNCATD, 5/ import requirements of Middle East countries have undergone substantial changes in the past ten years. It has thus been shown that imported products have to meet certain specific quality standards. And while African countries' exports a are predominantly in crude form, the analysis of imports into the Middle East reveals that products are mainly processed or semi-processed. The study observes further that a degree of processing is necessary to enable the African goods to penetrate this particular market which would only be possible were Arab investors to help in creating such industries in the African continent. However, selling missions conducted for African businessmen, and houses under the auspices of ECA to the Middle East should African manufacturers were of very high and comparable quality. They were also preferred by importers in the Middle East except that they were a little too expensive and Africa had not yet perfected its marketing system.

16. The following subsectors can be identified as meriting action for joint projects aimed at creating export flows from Africa into the Middle East.

(a) the export of livestock and fresh and preserved meat;
(b) preservation of fish;
(c) fresh and preserved fruit and nuts;
(d) sugar; coffee, cocoa and tea;
(e) spices;
(f) animal feeding stuffs;
(g) tobacco;
(h) hides and skins;
(i) leather products;
(j) oilseeds;
(k) crude rubber;
(l) wood and wood products;
(m) cotton yarn and textiles; and
(n) vegetable oil.

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4/ United Nations. Africa and Latin America: Perspectives for Interregional Co-operation, March 1985, pp. 44-53 and 80-81.

5/ UNCTAD. Trade Promotion between Arab World and Developing Africa, 1970-1981, UNCTAD/ST/MFD/1, March 1985, p. 152.

Additionally also, prospects exist for a number of mineral exports from African countries since the present policy of developing energy-intensive industries within the oil-exporting countries in the Middle East holds promise for African exporters of bauxite, copper and iron ore. It should be feasible in the light of the above to link project development loans with long-term procurement contracts for each Arab project likely to utilize inputs from African countries.

17. Some of the recent action undertaken by representatives of African and Arab states during the ninth session of the Standing Commission for Afro-Arab Co-operation in Ouagadougou in December 1988 can be interpreted to mean that the action taken by are in the right direction. In particular, since a joint Ministerial Afro-Arab Conference was proposed to be convened before the end of 1989 for the purpose of considering practical modalities for the promotion of trade and investment in the countries of the two regions. Among the proposed measures are:

(1) elaboration of a draft framework for the establishment of an Afro-Arab Preferential Trade Area;

(2) supply and demand studies with a view to formulating a list of products for which concessions could be exchanged;

(3) formulation of a draft framework agreement for the guarantee of investments and preparations for an investment forum for Arab and African businessmen and investors aimed at promoting joint ventures both in the production and trade spheres. 6/

## VI. RECOMMENDATIONS ON POLICY MEASURES TO PROMOTE TRADE FLOWS BETWEEN AFRICAN AND OTHER DEVELOPING REGIONS

18. One of the guiding principles in formulating recommendations on measures to be considered by African countries as regards promoting interregional trade, was that intra-regional trade and economic co-operation are an essential phase and a pre-condition for effective expansion of commercial exchanges with other developing countries. Consequently, emphasis at this particular time ought to be placed on strengthening some of the existing integration groupings and preferential arrangements at subregional as well as at regional levels within Africa. There is ample evidence that specific preferential climates within the economic integration groupings favour faster growth of manufacturing sector. This explains the high correlation between exports of manufactured goods and the level of intra-regional trade since the higher the level of the latter, the greater the potential of the region to develop its production capabilities and, consequently, to promote exports to other regions.

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6/ Report of the Ninth Ordinary Session of the Standing Commission for Afro-Arab Co-operation, Ouagadougou, Burkina Faso, 7-9 December 1988, OAU/LAS/ST,COM./RAPT.RPT(IX) Rev. 2

19. Of course, reinforcing intra-subregional co-operation is not implied exclusion of possibilities of introducing certain measures aimed at increasing interregional trade. Mention is already made to some of the problems of developing such trade, at least in two basic categories. The first of these relates to the stage of production. The bone of contention is a need for expansion and diversification of supply of exportable products. Some of the recommended measures include encouraging investment into expanding the production sector from other developing regions, and in particular the Arab countries of the Middle East. 7/ This objective can be attained through establishing investment guarantees to protect potential investors from non-commercial risks, including the absence of the point of nationalization. Similarly, concessional regimes for the investors in the form of exemption from customs duties on production machinery and equipment, exemption from income taxes for the initial period of operation. Such preferential investment climate should among others aimed at encouraging joint ventures along the lines practiced by Brazil's example in several African countries where enterprises with different forms of capital participation involve not only public capital of the host country but also private investors and third countries.

20. The second set of measures focuses on trade support and facilitation mechanisms which include the following:

(a) Trade policy measures

It will have to be realized that the package of recommendations would include the need of creating preferential trade regimes between African and other developing regions. In other words, reciprocal lowering of tariffs and dismantling other non-tariff restrictions, albeit in respect of a limited number of products taking into consideration their different levels of development of the respective partners. Naturally, these measures will have to be considered as part and parcel of framework agreements on boosting complementarity among the developing countries along with guidlines for the establishment of joint ventures and other forms of economic co-opeation.

(b) Monetary and financial arrangements

Besides the need for a more liberal regime of financing commercial exchanges between Africa and other developing countries, the creation of multilateral clearing arrangements for such trade could also be conducive to simplifying and facilitating interregional transactions. The proposed clearing mechanisms will make it possible to optimize and economize the use of foreign exchange reserves and foster a more economical utilization of central banks' resources; provide short-term credit for immediate clearing purposes and enhance co-operation in monetary issues. This objective can be attained by linking the existing subregional and regional clearing houses in the different continents which would gradually cover selected product flows. Similarly by improving credit facilities as well as greater co-operation between respective regional financing institutions including development banks, it would greatly facilitate the processing of promoting interregional trade.

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7/ As proposed by several experts, among them Karl Lavrencic in "Afro-Arab Partnership for Development", BADEA, 1985, P. 123.

(c) Trade promotion mechanisms

One of the many identified bottlenecks in the area of interregional trade is the lack of comprehensive information necessary to enable both exporters and importers to make reasonable decisions regarding export and import possibilities. Contacts between African on the one hand, with Latin American or Asian companies or between trading enterprises on the other hand, as well as information on demand and supply situation is very difficult to come by. Hence, the need to develop reliable trade information systems. This is the area where greater use should be made of the channels established by respective Chambers of Commerce that would be capable of further reinforcing closer co-operation between these groups of countries and regions.

(d) Role of state trading organizations

The role that state trading organizations might play in attaining the objectives of expanding interregional trade between African and other developing countries is already evident in the light of the analysis in preceding paragraphs. These enterprises are strategic as important buyers with all the pre-requisites for negotiating favourable terms in purchasing and selling products on behalf of their respective countries. In many instances, they could link their purchases with the sale of certain quantities of goods offered by national production units, perhaps on the basis of counter-trade arrangements or barter transactions.

(e) Transport and communications aspects

There is an urgent need to adopt a strategy aimed at efficient utilization of existing cargo space in a package with other export promotion measures. Such strategy should focus on establishing reliable transportation systems in inter-regional trade based, among other things, on using national carriers of all the participating countries. Similarly, the development of various direct communication services like telecommunications is required since these are vital in supporting the movement of goods and services.

## VII. CONCLUSIONS

21. There is sufficient evidence regarding many of the dangers that arise with continued reliance on traditional structures particularly because it perpetuates Africa's economic problems. Similarly, in the say it stands against achieving the objectives of promoting trade and economic relations of the continent with other developing regions as non-traditional partners. Efforts to correct this situation characterized by dependence on markets of the developed economy countries were emphasized in Africa's Priority Programme for Economic Recovery 1986-1990 and the United Nations Programme for Action for African Economic Restructuring and development, 1986-1990, and most recently, in the Africa's Alternative Framework for Strucutral Adjustment Programmes. All the above documents acknowledge that the cornerstone of the efforts to be taken is economic restructuring based on agricultural development linked to industrialization programmes

where the objective is meeting first and foremost, local consumer needs. Therefore, the most urgent task is achieving a measurable degree of restructuring required to diversify and expand exports of African countries.

22. Against this background, the political will enunciated in the Arusha Declaration, the Mexico City Programme, the Caracas Programme of Action ought to form a basis for taking the required action and for initiating strategies for real collective autonomy among the developing countries. Such strategies should invariably ensure that the African countries start playing a more significant role as producers and exporters to other developing regions. This is particularly important in the light of dangers that could emanate from breaking up the solidarity of the Third World if other developing countries fail to realize that some of their practices are relegating the less developed among them to be perpetual suppliers of primary commodities, and that this is a kind of neo-colonialism.

23. It is not without reason therefore, that the former Tanzanian President Julius K. Nyerere, during the Third World Lecture in New Delhi on 22 February 1982, reiterated that "South-South co-operation cannot be developed along the pattern of past North-South interactions... If, within the Third World, those with advantages seek to exploit the weaker ones, then we shall simply repeat, among ourselves and at a lower level, the kind of dependency imbalance which now ex exists between the South and the North... The result of such practices would be the gradual build up of mutual resentment and a further division - perhaps between the Third World and the Fourth World - to the disadvantage of us all." 8/ This observation was not intended to suggest that assistance to African countries from other, more developed, Third World countries should be pure charity. On the contrary, it is the possibilities of mutually beneficial co-operation that is being emphasized as a basis for enhancing economic and trade relations combining various production factors and comparative advantages of individual countries from all the developing regions.

24. The basic background documents prepared by ECA, some with the help of outside consultants coverage on what needs to be done. What is needed at this particular moment, is a fresh boost to ECDC in order to initiate real and practical action in this field. The rationale among others is to reverse in part, the continuing situation when a number of factors still tend to favour North-South economic links and act as barriers to the growth of intra-developing country trade flows, especially such as the role played by transnational corporations. Furthermore, the endemic balance-of-payments difficulties faced by most developing countries and their reliance on financial institutions in the developed industrialized market economy countries for capital inflows and balance-of-payments support, irrespective of tied aid conditions and other forms of economic pressure exerted by the latter. Moreover, it should be stressed that current industrialization and

8/ Julius K. Nyerere, "South-South Option", the Third World Lecture, in South-South Strategy, Altaf Gauhar, ed., Third World Foundation, London, 1983 p. 15.

trade policies in the developing countries themselves tend to discriminate against trade with other developing regions. The most striking example in this respect is that of higher tariff protection for consumer goods and processed agro-based products exported by developing countries as compared to export products of developed states.

25. It is in the light of the above also that developing countries should redouble their efforts if they are to change and adapt those underlying factors that hinder the growth of trade among them. In certain instances, important initiatives have already been undertaken by developing countries with a view to providing the necessary infrastructural and institutional framework for promoting trade among the developing regions. However, most of the efforts are currently channelled towards reinforcing integration schemes at subregional or regional levels. Notwithstanding that, such efforts ought to be the building blocks in achieving the global objective of creating the structure of trade expansion among the developing countries. This is what gives the recently lauched GSTP added significance.

26. Of course, the task of constructing a system of trade preferences among the developing countries is a complex and difficult one, given the vast diversity of their economic structures and levels of development. This exercise is especially painstaking for African regions since a majority of the countries do not anticipate any substantial gains from GSTP in the short and medium-term due to the underdeveloped industrial base. However, conventional wisdom underlines the fact that there is no alternative to establishing such mechanisms in promoting mutual trade. Extending trade preferences beyond the boundaries of subregional groupings could allow for reaping greater economies of scale thereby facilitating the creation and expansion of industries in participating countries. Consequently, the global preferential arrangements should be linked to measures aimed at facilitating the financing of intra-developing country trade and exploitation of opportunities offered by joint ventures. Hence, the African region should view these mechanisms as an additional way of developing the production potential.

27. Joint ventures among the developing countries promise better prospects and are likely to be the most dynamic segment in ECDC. They can be a very useful instrument in stimulating and expanding interregional economic relations and trade flows. This usefulness is also explained by the possibility existing in terms of combining technical expertise and capital resources of the capital surplus countries or those with significant know-how potential, with resources of other participating countries. This is a pre-requisite to establishing agricultural and industrial projects aimed at benefitting all the parties involved in their execution.

28. A number of opportunities for such joint projects with African participation on one hand, and Latin America, Middle East and Asian countries, on the other, can no longer be doubted in the light of the preceding analysis. This type of co-operative action is most suited for both the capital surplus developing countries suffering from substantial food deficits and those with good agricultural potential but lacking the necessary capital resources to improve their present low

productivity. Joint projects in this area could involve arrangements under which repayments could be envisaged in the form of food supplies, a feature that could be quite attractive both in respect of increasing the element of collective food security and in facilitating repayments. There are also several possibilities for joint investment projects in other areas that offer important opportunities for linking up the needs of various developing countries. However, these are only able to bear fruit where supportive measures are put in place in order to encourage their establishment, especially during the initial stages. Such measures could include relaxing on mutually agreed basis the administrative, fiscal, financial and commercial constraints and granting various concessions like relaxed tax regimes etc.

29. Needless to say, important changes will be needed to the trading infrastructures in particular in order to cope with the present pattern of dominance of developed countries in external trade of the developing regions. Similarly, to bring about a relaxation of the dominant role of transnational corporations in the marketing and distribution of primary commodities and manufactures exports by developing countries calls for concerted action on their part. Over and above, the same impetus will need to be given to effective co-operation among State Trading Organizations in the field of promoting practices of joint market interference.